

August 16, 2007

The Honorable A. G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, California 95814

Dear Secretary Kawamura:

In keeping with our longstanding position of advocating the removal of the dry whey factor from the Class 4b pricing formula, Dairy Institute wishes to express its strong support for the Class 4b petition filed by F & A Dairy of California and others.

We urge the Department to find that an emergency situation exists and to expedite the hearing process to the fullest extent possible. The petitioners collectively process a significant quantity of milk and substantial processing capacity is at risk. The timeline that has been characteristic of many recent hearings would provide relief too late for these companies, as many do not have the resources to sustain losses of the magnitude they are facing for several months.

It is our understanding that the California milk market is not clearing and milk is being placed in out-of-state plants at a substantial discount to California's regulated prices. While California cheese plants could process additional milk volumes, they have no economic incentive to do so when they are losing money on every pound they process. At the same time, milk output at California dairy farms is growing rapidly. These marketing conditions are characteristic of a regulated price that is too high.

We again urge the Department to accept the petitioners' request for a hearing and to quickly establish an expedited hearing schedule. Thank you for your consideration of our position and the urgent needs of the petitioners.

Sincerely,

Rachel Kaldor
Executive Director

cc: George Gomes, Undersecretary
Kelly Krug, Director, Marketing Services Division
David Ikari, Chief, Dairy Marketing Branch